

*Personal and
Confidential*

The Honorable Frances P. Bolton
House of Representatives
Washington, D. C. .

Dear Mrs. Bolton:

I was most interested by your inquiry in your letter of 15 December as to the specific areas in the general field of foreign trade and economic foreign policy which might benefit most from Federal legislation in the forthcoming Congress. As you are, of course, aware, it is not part of the business of an intelligence officer to make policy recommendations. Nevertheless, there are certain developments in process both in Soviet policy and in the rest of the non-communist world which have a direct bearing upon what it is useful and proper for our own Government to do. It may be of interest to you to have me call to your attention several of the most significant of these trends.

To begin with, I should like to mention the increasing influence the communists are having especially on the underdeveloped areas through the example of rapid economic progress in the USSR and in China. To the citizens of the poor and economically backward countries of southeastern and southern Asia, the Middle East and Africa, the USSR appears as a nation which has pulled itself up by its own boot straps in the space of the last thirty-five years. Starting as a backward, mainly unindustrialized country ravaged by world war and revolution it has become the second largest economy and the second most powerful industrial nation in the world, and in doing so it has preserved an independence of other nations which has amounted to hostility and has received little or no help from the more advanced countries.

This spectacle is inevitably an exciting one for men who are struggling to set their countries on the path of economic progress. It lends support to the communist argument that the Soviets have developed a program for achieving economic progress which can be set in motion by governmental initiative, carried out without dependence on help from the "imperialist" countries, and will produce certain and dramatically rapid results.

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Americans (and most Western Europeans) are well aware of the fallacies and the incompleteness of this line of argument but the point I wish to make to you is that we must not underestimate its power, especially in Asia. To us the price paid in terms of tyranny and human suffering for the ruthless accomplishments of the communists is enough to discredit their formula for achieving economic progress. But most of the underdeveloped nations of the world have a long history of tyranny and little understanding of freedom and democracy. To them this price is less important than to people brought up in the traditions of western civilization. Then again, we are aware that immense economic progress is being achieved in healthy capitalist societies. But this argument too, is less appealing to Asians, and indeed to many Europeans and Latin Americans, whose experience with capitalism has not been as happy as our own. There is, therefore, no possible doubt that the economic achievements of the communists present a real challenge to American economic and trade policy.

Unfortunately, this challenge is being intensified by developments in China. There, the communist regime has set goals for its first five year plan, which are modest indeed in American or even Russian terms, but which will constitute a first step and for Asia a major step toward industrialization. Moreover, this is possible for the Chinese only because they are able to obtain substantial quantities of industrial equipment from Russia. Although the plan is only in its second year, the evidence reaching us indicates that its goals are likely to be achieved.

Already, the impact of these events on Asian opinion is visible. Nehru is reported to have returned from his recent trip to China impressed with the plans for a more rapid industrialization than is in prospect in India. And more recently the Prime Minister of Burma returned from China impressed with the fact that the Soviet Bloc was now in a position to supply Burma with many of the kinds of industrial products it wishes to import in exchange for rice which the Communists are willing to buy. Quite aside from the attraction of such an opportunity for trade, the power of the example will grow as Asians become convinced that in China too the communists have found the secret of progress toward industrialization and power.

Moreover, we cannot disregard the more concrete and immediate danger that the Soviet Bloc will exploit its economic strength in ways that will divide and weaken the free world. One way in which this is being done (which is referred to above) is through the offer of attractive opportunities for East-West trade in such a manner that the requirements of economic wellbeing in non-communist countries are made to appear to be in conflict with those of the security and cohesion of the non-communist world. The issue thus presented, which is undoubtedly familiar to you, is serious enough in Europe where it already creates difficulties for the governments of a number of our allies. But it is beginning to emerge as an even more serious issue in the underdeveloped areas. The USSR can afford to export a considerable volume of industrial products. At the same time it is importing food and other raw materials (such as rubber and coffee) and

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Communist China may well become an importer of food (within the limits of its foreign exchange resources). Thus countries like Burma, possibly Thailand, and increasingly Argentina find themselves attracted by and in danger of becoming dependent upon Soviet markets.

As further evidence of the growing economic strength of the Bloc there are indications that the USSR will increasingly be prepared to employ the offer of economic aid (in the form of either grants or more frequently of loans) as a weapon with which to obtain political advantage. An offer of technical assistance on an undefined scale was made to the Egyptian Government only a year ago and currently representatives of the USSR are discussing with the Government of India the building by the Russians of a steel mill in that country. A government which can at its will and which regularly does divert a large slice of the output of its own economy away from peaceful uses to serve political and military ends has an obvious advantage in this game over the Western democracies.

I am sure it is unnecessary for me to expand on the implications of these developments for our own international economic policy. We should realize that along with the political struggle and the race to maintain a balance of military strength which have been forced upon us, we are engaged in a bitter rivalry with the communists in the field of economic affairs. If we are to win on this front we must succeed in convincing not only our allies but the underdeveloped and largely uncommitted nations that the methods and institutions of the free world offer as great a promise of economic progress and security as do those of the communist world. Specifically, we must prove that nations can find markets for their exports, sources of supply for the goods they must import and capital to aid in their development, without submitting to communist regimentation and tyranny. I say that we in this country must demonstrate the superiority of the free world because our economic position in the free world is so predominant that it is primarily our responsibility by action, leadership, and example to make sure that this vital result is achieved.

It seems plain to me that in this situation we must adopt commercial policies that will enable our international trade to be in balance, maintain a high level of economic activities at home, encourage the outflow of private capital, and that we will have to supply some funds to the rest of the world through public channels. In these ways, and in others we can contribute greatly to the creation of the kind of free world economy which will exercise a powerful attractive force on all non-communist nations at least. But beyond this very general prescription I do not wish to go for the reasons referred to at the beginning of this letter.

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In closing this long and somewhat belated letter, I wish to emphasize that here in the CIA it is our job to study and report on the facts and not to propose policies in the field of international trade. In particular we are concerned with the effect of our economic policies upon the course of the international communist movement. I also would stress one further point that economic policies are not a cure-all, and that the raising of the standard of living or increasing of international trade will not alone insure peace, defeat communism, or guarantee the advancement of individual political freedoms. This will help, but economic measures must be combined with other types of action.

Faithfully yours,

Allen W. Dulles
Director

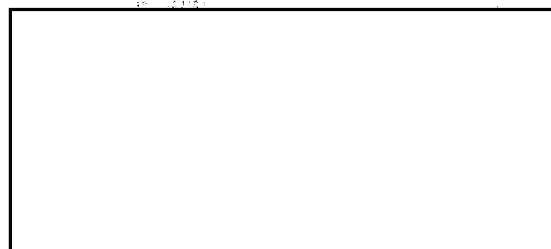
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Originator:



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Richard M. Bissell, Jr.
Special Assistant to the Director
for Planning and Coordination



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FRANCES P. BOLTON
22D DISTRICT, OHIO

Executive Registry
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COMMITTEE ON
FOREIGN AFFAIRS

CONGRESS OF THE UNITED STATES

HOUSE OF REPRESENTATIVES

WASHINGTON, D. C.

December 15, 1954

Mr. Allen W. Dulles'
Box 1513 Main Post Office
Washington, D.C.

My dear Mr. Dulles:

For 15 years, as Congressman of the 22nd District of Ohio, I have tried to support sound legislation in the Congress that would aid in furthering the economic welfare of the American people. The needs and desires of my constituents in Greater Cleveland and my membership on the House Foreign Affairs Committee have made me particularly aware of the need for an intelligent trade policy for the United States.

In preparation for the 84th Congress, I am giving serious consideration to the kind of action the Congress might take in the area of foreign trade. Discussions in the 83d Congress on the extension of the Reciprocal Trade Agreements Act made it apparent that the question of trade and tariffs will come in for some very serious deliberations in the coming 84th Congress.

President Eisenhower will probably renew his request for a three-year extension of that Act and the Committee on Ways and Means is expected to delve into all aspects of our tariff policy. In addition, many reputable national organizations have urged the Government to take forthright action on foreign trade.

For that reason, I am writing to you and a few other experts in the fields of business and international trade to secure your own best thought as to the specific area in your field which might profit most from Federal legislation. I should be delighted to have your opinions and I will give them the most serious consideration, although you know that it is impossible to make any specific commitments as to just what I can do or what the Congress may do.

It is my feeling that only by intimate and close consultation of this kind can we legislators effectively serve the national interests. I hope I may hear from you soon.

Sincerely yours,

Frances P. Bolton

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MEMORANDUM FOR: THE DIRECTOR

I am ashamed that this letter from Congress-woman Bolton has been lying around so long (on my desk). It seemed to get caught up in Christmas and New Year's. If the reply I have drafted is not the kind of thing you want to send, please let me know and I will try my hand at something less, with rather less delay.


RICHARD M. BISSELL, JR.

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12 January 1955
(DATE)

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MEMORANDUM FOR: Mr Dulles

I concur.

I would weave in one additional point:

That economic advancement should never be spoken of without raising at the same time the advancement of individual + political freedom; the first is hollow without the second.

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